

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1927 - SB 2062

April 3, 2009

SUMMARY OF BILL: Requires all health insurance entities to contract with any licensed physician for reimbursement at fair market value.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$22,153,600

Increase Local Expenditures – Exceeds \$1,000,000*

Increase Federal Expenditures - \$59,310,400

Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation would result in an increase in the cost of health insurance premiums which exceeds \$1,000,000 for the expansion of a network of physicians and for losing the ability to negotiate rates for physician services.

Assumptions:

- According to the Department of Commerce and Insurance, research in this state and other states will need to be done to determine the appropriate reimbursement values. The Department estimates a one-time increase in expenditures of \$5,000 to conduct this research.
- Any cost incurred by the Department for enforcement through the investigation of complaints can be accommodated within existing resources without an increased appropriation or reduced reversion.
- According to the Bureau of TennCare, an “any willing provider” provision limits the program’s ability to negotiate costs with service providers. There will be an increase in expenditures based on the increased size of the network and no longer negotiating costs. For the 12-month period ending September 30, 2008, TennCare spent \$800,000,000 to physicians.
- The Bureau estimates a 10 percent increase in costs expended for physicians’ services resulting in an increase in expenditures of

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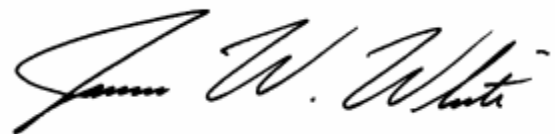
\$80,000,000. Of this amount, \$20,689,600 will be state funds at a rate of 25.862 percent and \$59,310,400 will be federal funds at a match rate of 74.138 percent.

- According to the Department of Finance and Administration, the State Employee, Local Government, and Local Education Health Plans spent approximately \$320,000,000 for physicians' services.
- The State Employee Health Plan incurred approximately \$183,000,000 of the \$320,000,000. Department estimates at least a one percent increase resulting in an increase of \$1,830,000. The state pays approximately 80 percent of the costs resulting in an increase in expenditures of \$1,464,000.
- The Local Government and Local Education Health Plans incurred the remaining \$140,000,000. A one percent increase would result in an increase in expenditures of \$1,400,000. Each local government can decide the amount of premium assistance that will be provided to its employees.
- Any local government that does not opt into the state sponsored health plan will incur an increase in expenditures which is estimated to be similar to the state sponsored plans. The amount of premium assistance is unknown, but the total increase to local expenditures is estimated to exceed \$1,000,000.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly distinguishable.

James W. White, Executive Director

/kml